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ADMITTED TO PRACTICE IN: ARIZONA, COLORADO, MONTANA, NEVADA, TEXAS, WYOMING, DISTRICT OF COLOMBIA

February 24, 2006

Colleen Ryan, Supervisor **Docket Control Arizona Corporation Commission** 1200 West Washington Phoenix, Arizona 85007

Re:

Las Quintas Serenas Water Co.

Docket Nos. W-01583A-04-0178, W-01583A-05-0326 and W-

01583A-05-0340 (Consolidated)

Dear Ms. Ryan:

Pursuant to the Eighth Ordering Paragraph of the Commission's November 16, 2005 Procedural Order in the above-referenced consolidated proceedings, Las Quintas Serenas Water Co. hereby submits for filing seventeen (17) copies of the following documents:

- 1) Revised Exhibit AR-6;
- 2) Revised Exhibit AR-9; and,
- 3) An Exhibit Schedule which provides a reconciliation of the original numbering system used in the direct case Exhibits/Schedules of Ronald L. Kozoman with the Exhibit references contained in Mr. Kozoman's direct case testimony.

Copies of the attached documents and this letter are being mailed/emailed today to Judge Rodda and all parties of record.

Please let me know if you have any questions. Thank you for your assistance.

Sincerely,

Lawrence V. Robertson, Jr.

Lamoura V. Robertu L.

Cc: Hon. Jane L. Rodda Jason Gellman

John Gay

## Las Quinta Sernas Water Company

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Exhibt AR-6 Revised

(1 / (1 Minus tax rate)) Increment Tax (Staff Method) 26	actor	ne Tax Rates Tax <u>Divided State Income)</u> <u>yal Tax Divided Fed.Income)</u> e ( <u>Total TaxDivided by</u>	Tax Rate 20	Total Income Tax 10	Federal Income Taxes 6	34% BRACKET OVER \$335,000	39% BRACKET ON NEXT \$235,000	34% BRACKET ON NEXT \$25,000		Federal Taxable Income 46	Less Arizona Income Taxes3	Federal Income Before Taxes 50	6.968%	Less Arizona Income Tax 3.	<u>2006</u> Taxable Income 50,00			Changes highlighted by Underlining	Incremental Income Rates
26.46%	126.46%	6.968% 15.00% 20.92%	20.92%	10,461	6,977		1 1		6,977	46,516	3,484	50,000		3,484	ŏ.	<u>.</u>		Ω	•
30.82%	130.82%	6.968% 17.83% 23.56%	23.56%	17,670	12,444			- <del>1</del>	7,500	69,774	5,226	75,000		5,226	2006 75,000	ome Tay Br			
36.70%	136.70%	6.968% 21.37% 26.85%	26.85%	26,849	19,881	1	, <u>,</u>	6 131	7,500 6,250	93,032	6,968	100,000		6,968	2006 2006 75,000 100,000	ackets for 200			
62.86%	162.86%	6.968% 34.00% 38.60%	38.60%	192,994	158,154	44,254	91,650	8.500	7,500 6,250	465,160	34,840	500,000		34,840	2006 500,000	Ď.			<
26.46%	126.46%	6.968% 15.00% 20.92%	20.92%	3,821	2,548		ı		2,548	16,988	1,272	18,260		1,272	18,260	(a) Staff's Tavable		(0	Witness: Kozoman
26.46%	126.46%	6.968% 15.00% 20.92%	20.92%	8,005	5,339		i	ı	5,339	35,594	2,666	38,260		2,666	38,260			Staff's Taxal	zoman
27.62%	127.62%	6.968% 15.77% 21.64%	21.64%	12,610	8,550			, 000	7,500 1,050	54,200	4,060	58,260		4,060	58,260		of \$20,000	Staff's Taxable Income from Last Rate	
31.30%	131.30%	6.968% 18.13% 23.84%	23.84%	18,655	13,202	-		, <del>(</del>	7,500 5,702	72,807	5,453	78,260		5,453	78,260			rom Last Ra pal Pavment	
36.32%	136.32%	6.968% 21.15% 26.64%	26.64%	26,177	19,331	,		5,581	7,500 6.250	91,413	6,847	98,260		6,847	98,260	TI		_	
46.72%	146.72%	6.968% 26.74% 31.84%	31.84%	46,752	36,521		14,271	8,500	7,500 6.250	136,592	10,231	146,823		10,231	1st Year 146,823	Principal Repayments)	Bank's	Income + (Commerce	Staff's Prior

(a) From Staff Exhibit DTZ-1 Income Taxes of \$3,458 and Operating Income of \$14,802.

## Las Quinta Sernas Water Company

Test Year Ended 9/30/03

Exhibit AR-9 **Revised** Witness: Kozoman

Latest Cost for Arsenic Treatment Equipment

သ	32	3	30	29	28	27	26	25	24	23	22	2	20	19	18	17	i d	15	1	3	12	<u> </u>	10	ဖ	œ	7	တ	თ	4	ω	2		No	Line
	Totals	Standpipe	6-Inch Meter	4-Inch Meter	3-Inch Meter	2-Inch Meter	1 1/2-Inch Meter	1-Inch Meter	3/4-Inch Meter	5/8 x 3/4-inch Meter	Meter Size										Monthly Customer Charge for Equivalent 5/8-Inch Meter	Divide by Equivalent Customers	Equivalent Customers (Annual Basis)	Total Interest Payments + Income Tax Gross-up on Principal Paid	Total Gross Up Tax	Gross-up for Income Tax Purposes	Total Principal Paid		Total of Principal Payments on the Loan for \$1,889,168	Total Principal Payments 1st Year on Loan of \$1,889,168	Deleted	Total Principal Payments 1st Year on Loan of \$1,889,168		(Changes highlighted by Underlining)
	897	150		_		4	O	36		700		9/30/2003	at	Customers	Test Year						rge for Equivale	ustomers	(Annual Basis)	s + Income Tax		Tax Purposes			nents on the Loa	nts 1st Year on I		nts 1st Year on I		y Underlining)
	<b>H</b>	<u> </u>	50	25	16	8	თ	2.5	1.5	_		Factor	Conversion	5/8-Inch	Equivalent	ACC					ent 5/8-Inch Mei			Gross-up on P					an for \$1,889,16	Loan of \$1,889.		Loan of \$1,889.		
	1,027	150	0	25	0	32	30	90	0	700		Meters	5/8-Inch	Monthly	Equivalent					ı	ter	ļ	ı	rincipal Paid	1	ı	ı	ı	8	168		<u>168</u>		,
	12,324	1,800	•	300		384	360	1,080	ı	8,400		Months	Times 12	5/8-Inch Meters	Annual	Equivalent	1				\$ 27.19		12,324	335,112	188,625	146.72%	\$ 128,563	ı	\$ 128,563	\$ 128,563		\$ 128,563		
		10.10	350.00	225.00	125.00	70.00	55.00	25.00	22.50	\$ 10.00		Rates	Present	Minimum	Monthly											Gross	Total Increas							
		27.19	1,359.59	679.80	435.07	217.53	135.96	67.98	40.79	\$ 27.19		Surcharge	Proposed								(vs. \$27.62 in Rebuttal)					te with Staff's Pric	Increased Taxable Income							
		\$ 37.29	\$ 1,709.59	\$ 904.80	\$ 560.07	\$ 287.53	\$ 190.96	\$ 92.98	\$ 63.29	\$ 37.19		Minimum	Monthly	Proposed							(Rebuttal)					-up Tax rate with Staff's Prior Income + Principal Payments)	come							
		269.23%	388.45%	<u>302.13%</u>	348.06%	310.76%	247.20%	271.92%	181.28%	271.92%		Change	Percent													pal Payments)								

## Las Quintas Serenas Water Company Ronald L. Kozoman, CPA Exhibit Schedule / Changes from Direct Testimony

Original Numbering System Used	bering									
Exhibit A-8	oit A-8 Income Statement Per Decision 67455 and With New Loan									
Schedule C-3, page 1	· · · · · · · · · · · · · · · · · · ·									
Schedule D-2, page 1	·									
Schedule H-2, page 1	Analysis of Revenue by Detailed Class	Exhibit A-10, page 1								
Schedule H-2, page 2	Customer Count Summary	Exhibit A-10, page 2								
Schedule H-2, page 3	Gallons Sold Summary	Exhibit A-10, page 3								
Schedule H-3, page 1	Present and Proposed Rates Including Estimated Surcharge, Estimated Operation and Maintenance Expense Associated with Arsenic Treatment Plant	Exhibit A-11 page 1								
Exhibit A-11	Monthly Customer Charge and Annual Surcharge Mechanism Collections	Exhibit A-11 page 2								
Schedule H-3, page 2	Equivalent 5/8 Inch Meters	Exhibit A-11, page 3								
Schedule H-3, page 3	Monthly Customer Charge and Annual Surcharge Mechanism Collections	Exhibit A-11, page 4								
Schedule H-3, page 4	Combined Monthly Minimum and ARSM Charge	Exhibit A-11, page 5								
Schedule H-3, page 5	Customer Charge for Operation and Maintenance Cost of Arsenic Treatment Plant	Exhibit A-11, page 6								
Schedule H-4, page 1	Present and Proposed Rates Residential, 5/8 Inch	Exhibit A-12, page 1								
Schedule H-4, page 2	Present and Proposed Rates Residential, 1 Inch	Exhibit A-12, page 2								
Schedule H-4, page 3	Present and Proposed Rates Residential, 1-1/2 Inch	Exhibit A-12, page 3								
Schedule H-4, page 4	Present and Proposed Rates Residential, 2 Inch	Exhibit A-12, page 4								
Schedule H-4, page 5	Present and Proposed Rates Residential, 4 Inch	Exhibit A-12, page 5								
Schedule H-4, page 6	Present and Proposed Rates Standpipe Water	Exhibit A-12, page 6								